

MILES COMMUNITY COLLEGE

CUSTER COUNTY, MONTANA

Fiscal Year Ended June 30, 2008

AUDIT REPORT

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel



Deputy Legislative Auditors:
James Gillett
Angie Grove

November 2008

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of Miles Community College for the fiscal year ended June 30, 2008.

The audit was conducted by Denning, Downey & Associates, P.C. under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

08C-08

MILES COMMUNITY COLLEGE

CUSTER COUNTY, MONTANA

Fiscal Year Ended June 30, 2008

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MILES COMMUNITY COLLEGE

CUSTER COUNTY, MONTANA

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MILES COMMUNITY COLLEGE

CUSTER COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2008

BOARD OF TRUSTEES

Garret McFarland
Rusty Irion
Bill Griffin
Sharon Wilcox
Kelly Reid
Susan Stanton
Jan Wagner

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee
Trustee
Trustee

COLLEGE OFFICIALS

Stefani Hicswa
Tad Torgerson
Laura Bennett

President
Administrative Dean
Controller

**Miles Community College
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008**

Overview

Miles Community College's Management Discussion and Analysis (MD&A) presents an overview of its financial condition and assists the reader in focusing on significant financial issues for the year ended June 30, 2008. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes.

Financial and Other College Highlights

- **Personnel** – A full-time Human Resource Director was hired in October 2007. This position assists the college in meeting the personnel goals of our campus. A full-time Director of Student Financial/Enrollment Services was hired in September 2007. This position assists the college in meeting the needs of present and future students. In addition, an Equine program was developed in 2007 with a full-time Equine instructor hired in 2007.
- **Union Negotiations** – The Miles Community College Faculty Association, a MEA-MFT faculty union, and Miles Community College Board of Trustees completed the second negotiation cycle with the use of interest-based bargaining. A master agreement was reached in FY 2008, which is effective July 1, 2008.
- **Program Development** – The Dean of Academic Affairs is working with businesses and faculty to develop programs needed in the area. The College has developed an Equine program which began fall semester 2008. In response to community businesses, several certificate programs were implemented in FY 2008 including Marketing and Sales, Fundamentals of Business, and Customer Relations.
- **Grant** –The Health Care Connections to Career Pathways project will provide a larger pool of qualified technicians to meet the workforce needs in healthcare throughout Montana. The grant includes training for general public and high school students as well as the development of curriculum for Miles Community College. In addition, there is a distance education based entrepreneurship certificate being developed as part of the grant.
- **Distance Education programs** – In response to the educational needs of a rural community, the college has developed several online classes. Miles Community College developed online curriculum for Associates of Arts, Associate of Science degrees and several certificate programs. Certificate programs include Health Information, Entrepreneurship and Paraprofessional.
- **Enrollment (FTE)** – In FY 2008, the College experienced a 3.2 percent decrease in enrollment with 405 resident FTE. Management feels the major cause for the decrease in enrollment is due to the relatively strong local economy and continuing low unemployment rates.

Using the Financial Statements

The College's financial statements consist of the following three statements:

- Balance Sheet
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 35, *Basic Financial Statements-and Management's Discussion and Analysis-For Public Colleges and Universities*. They differ significantly, in form and the accounting principles utilized, from financial statements presented prior to FY 2003. The financial statements presented in prior years focused on the accountability of funds, while these statements focus on the financial condition of the college, the results of operations, and cash flows of the college as a whole.

Significant changes to the financial statements are as follows:

- The financial statements are prepared using the accrual basis of accounting, which means revenues are reported when earned and expenses are reported when incurred, regardless of when the cash was actually received or paid.
- Capital assets are now depreciated over their expected useful lives instead of recorded entirely as a current period expense in the year of acquisition. Depreciation is treated as an operating expense, and capital assets are reported in the statements at cost less accumulated depreciation.
- Assets and Liabilities are treated as current (due within one year) or as non-current (due in more than one year), and in the Statement of Net Assets are presented in order of their relative liquidity.
- Revenues and Expenses are classified as operating or non-operating. "Operating" is defined by the Governmental Accounting Standards Board (GASB) as resulting from transactions involving exchanges of goods or services for payment. "Non-operating" is defined by GASB as resulting from transactions not involving the exchange of goods or services for payment. Miles Community College shows a substantial "operating loss" in the Statement of Revenues, Expenses, and Changes in Net Assets primarily because GASB requires that State Appropriation and District Levy revenues must be reported as "non-operating".
- Tuition and Fees are reported net of any Tuition Waivers that were applied directly to a student's account.

The three financial statements are designed to help the reader of the financial statements to determine whether the College's overall financial condition has improved or deteriorated as a result of the current year's financial activities. These financial statements present similar information to that disclosed in private sector financial statements.

Balance Sheet

The Balance Sheet, which reports all assets and liabilities of the College, presents the financial position of the College at the end of the fiscal year. The net assets are simply the difference between total assets and total liabilities. The change in net assets during the fiscal year is an indicator of the change in the overall financial condition of the College during the year. A summary of the Balance Sheet follows:

ASSETS	6/30/2007	6/30/2008
Total Current Assets	\$1,848,126	\$2,341,246
Total Noncurrent Assets	5,087,863	4,969,686
TOTAL ASSETS	\$6,935,989	\$7,310,932
LIABILITIES		
Total Current Liabilities	\$585,498	\$437,960
Total Noncurrent Liabilities	2,608,830	2,598,850
TOTAL LIABILITIES	\$3,194,328	\$3,036,810
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$2,436,822	\$2,463,048
Restricted, Expendable	289,676	282,665
Unrestricted	1,015,163	1,528,409
TOTAL NET ASSETS	\$3,741,661	\$4,274,122

Current assets include the College's cash; taxes, grants, student loan, and accounts receivable; inventories; and other assets expected to benefit the College within one year. The \$493,120 increase from FY 2007 to FY 2008 was caused primarily by an increase in cash.

Noncurrent assets primarily represent the College's Capital Assets less Accumulated Depreciation.

Current liabilities include payroll and related liabilities, amounts payable to suppliers for goods and services received, revenue received which the College has not yet earned, student deposit balances, and debt principal payments due within one year. Total current liabilities decreased by almost \$147,538 from FY 2007 to FY 2008, due largely to the estimated compensated absences payable. In previous years, current compensated leave was calculated using 4 percent of total compensated leave. Due to announced retirements, the estimated current compensated leave was increased to 10 percent of total compensated leave.

Noncurrent liabilities primarily represent debt principal payments due after a one-year period. It also includes the amount of compensated absence liability estimated to be due after a one-year period.

Invested in capital assets, net of related debt represents the historical costs of capital assets less accumulated depreciation and less debt balances related to the capital assets. This balance increases as assets are acquired and debt is repaid, and decreases as assets are depreciated and debt is incurred. Total capital assets net of related debt increased by \$26,226 from FY 2007 to FY 2008 due to the retirement of debt. The retired debt includes loans for two college vehicles and the student union building.

Restricted expendable net assets represent funds that may be expended by the College but only in accordance with restrictions imposed by an external party, such as a donor or governmental entity.

Unrestricted net assets are funds that the College has to use for whatever purpose it determines is appropriate. These assets may be designated for specific purposes by action of management.

Total net assets increased by \$532,461 from FY 2007 to FY 2008, which indicates the overall financial position of the College has improved over that time period.

Statement of Revenue, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year on a full accrual basis, which means revenues and expenses are recognized when they were earned or incurred, regardless of when cash was received or paid. Results of operations are classified as either operating or nonoperating.

A summary of the Statement of Revenues, Expenses and Changes in Net Assets follows:

	<u>6/30/2007</u>	<u>6/30/2008</u>
Operating Revenues	\$4,633,929	\$4,969,974
Operating Expenses	7,187,696	7,998,584
OPERATING LOSS	<u>\$(2,553,767)</u>	<u>\$(3,028,610)</u>
Nonoperating Revenues (Expenses)	\$2,930,882	\$3,557,419
Loss on Disposal of Capital Assets		(1,348)
Transfer from fiduciary funds	5,196	5,000
INCREASE (DECREASE) IN NET ASSETS	<u>\$382,311</u>	<u>\$532,461</u>
Net Assets, Beginning of Year	\$3,442,380	\$3,741,661
Restatement of expenses	(83,030)	
Net Assets, End of Year	<u>\$3,741,661</u>	<u>\$4,274,122</u>

Operating revenues represent the revenue received from tuition and fees, federal, state, and private grants and contracts, indirect cost recoveries (from grants), auxiliary activities, and other operating revenues. Total operating revenues increased by \$336,045 from FY 2007 to FY 2008. This was mainly due to an increase in tuition and a change in the mix of in-district, out-of-district and out-of-state students.

Nonoperating revenue (expenses) consists of interest income, state appropriations, district levies, interest payments, and other non-operating revenues and expenses. Nonoperating revenue increased \$626,537 from FY 2007 to FY 2008. The major item affecting this change is the state appropriations. A new state funding formula, based on a fixed vs. variable cost model, was implemented in FY 2008. The new funding formula decreased the significance of FTE students, which resulted in more stable funding.

Increase (decrease) in net assets represents the difference between total revenues and total expenses.

The following provides a comparative analysis of revenues and expenses for the two fiscal years:

ANALYSIS OF ALL SOURCES OF REVENUE

SOURCE OF REVENUE	FISCAL YEAR 2007		FISCAL YEAR 2008		INCREASE (DECREASE)
	AMOUNT	PERCENT	AMOUNT	PERCENT	FY'07 VS FY'08
Operating Revenues					
Tuition and Fees (Net)	\$ 1,219,051	15.83%	\$ 1,385,019	16.00%	\$ 165,968
Federal Grants and Contracts	1,180,088	15.33%	1,205,601	13.93%	25,513
State Grants and Contracts	451,451	5.86%	466,858	5.39%	15,407
Private and Local Grants and	407,556	5.29%	446,095	5.15%	38,539
Indirect Cost Recoveries	11,132	0.14%	26,905	0.31%	15,773
Auxiliary Enterprise Activities	1,014,775	13.18%	1,095,927	12.66%	81,152
Other Operating Revenues	349,876	4.54%	343,569	3.97%	(6,307)
Total Operating Revenue	\$ 4,633,929	60.18%	\$ 4,969,974	57.43%	\$ 336,045
Nonoperating Revenues					
Interest Income	\$ 95,352	1.24%	\$ 81,228	0.94%	\$ (14,124)
State Appropriations	1,570,372	20.40%	2,241,808	25.91%	671,436
District Levies	1,399,948	18.18%	1,360,691	15.72%	(39,257)
Total Nonoperating Revenues	\$ 3,065,672	39.82%	\$ 3,683,727	42.57%	\$ 618,055
Total Revenue	\$ 7,699,601	100%	\$ 8,653,701	100%	\$ 954,100

ANALYSIS OF CATEGORY OF EXPENSE

CATEGORY OF EXPENSE	FISCAL YEAR 2007		FISCAL YEAR 2008		INCREASE (DECREASE) FY'07 VS FY'08
	AMOUNT	PERCENT	AMOUNT	PERCENT	
Operating Expenses					
Salaries	\$2,979,664	40.69%	\$ 3,312,738	40.77%	\$ 333,074
Benefits	942,136	12.87%	1,060,845	13.06%	118,709
Travel	211,259	2.89%	206,399	2.54%	(4,860)
Supplies	397,738	5.43%	483,979	5.96%	86,241
Contracted Service	374,355	5.11%	328,176	4.04%	(46,179)
Rent and Lease	79,282	1.08%	113,025	1.39%	33,743
Repairs and Maintenance	27,922	0.38%	74,165	0.91%	46,243
Advertising	68,498	0.94%	55,791	0.69%	(12,707)
Meetings and Dues	26,858	0.37%	31,439	0.39%	4,581
Utilities	147,735	2.02%	155,678	1.92%	7,943
Student Support	16,179	0.22%	6,239	0.08%	(9,940)
Communications	94,590	1.29%	90,173	1.11%	(4,417)
Software	16,318	0.22%	17,863	0.22%	1,545
Unassigned	127,055	1.74%	50,383	0.62%	(76,672)
Scholarships and Grants	973,054	13.29%	1,131,417	13.93%	158,363
Insurance	93,009	1.27%	85,052	1.05%	(7,957)
Indirect Costs	10,531	0.14%	26,305	0.32%	15,774
Food for Resale	133,949	1.83%	166,948	2.05%	32,999
Items for Resale	179,604	2.45%	161,971	1.99%	(17,633)
Other Operating Expenses	24,469	0.33%	166,707	2.05%	142,238
Depreciation Expense	263,491	3.60%	273,291	3.36%	9,800
Total Operating Expenses	\$7,187,696	98.16%	\$ 7,998,584	98.45%	\$ 810,888
Nonoperating Expenses					
Interest Payments	\$ 134,790	1.84%	\$ 126,308	1.55%	\$ (8,482)
Other Nonoperating Expenses	-	0.00%	-	0.00%	-
Total Nonoperating Expenses	\$ 134,790	1.84%	\$ 126,308	1.55%	\$ (8,482)

Comments about specific revenue and expense items are:

- **Private and Local Grants and Contracts** – During FY 2008 the College received a \$73,200 gift from the Miles Community College Endowment Corporation to fund positions for a full-time Human Resource Director and an Equine Instructor.
- **Expenses (general comment):** Overall expenses increased \$802,406 from FY 2007 to FY 2008 mostly due to step and cost-of-living increases received by faculty and staff and scholarships awarded to students.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the College's sources and uses of cash during the fiscal year. This statement aids in assessing the College's ability to meet obligations and commitments as they become due, their ability to generate future cash flows and their needs for external financing. As required by GASB, the statement is presented using the "Direct Method," which focuses on those transactions that either provided or used cash during the fiscal year.

A summary of the Statement of Cash Flows follows:

CASH FLOW CATEGORY	6/30/2007	6/30/2008
Cash Provided (Used) by:		
Operating Activities	\$(2,204,184)	\$(2,657,109)
Nonoperating Activities	2,829,492	3,532,911
Capital Financing Activities	(331,964)	(428,522)
Investing Activities	95,652	81,228
Net Increase (Decrease) in Cash	<u>\$388,696</u>	<u>\$528,598</u>
Cash and Cash Equivalents, Beginning of Year	\$1,158,691	\$1,502,990
Agency Fund Adjustment	<u>(44,397)</u>	
Cash and Cash Equivalents, End of Year	<u>\$1,502,990</u>	<u>\$2,031,588</u>

DISCUSSION OF SIGNIFICANT PENDING ECONOMIC AND FINANCIAL ISSUES

- **Population** – The College will continue to experience challenges due to the declining population in our service area, and we will continue to explore opportunities to grow enrollment.
- **Faculty and Staff** – The ability to attract and keep high quality faculty and staff because of our salary schedule is a concern of the College.
- **Program Development** – With regional changes, the College is challenged with meeting the educational service needs of the rural community and the financial cost to meet those needs. The College has recognized that a crucial component for the successful recruitment and retention of students is the development of quality academic and professional technical programs. We are currently in the process of developing or revising programs.
- **State Funding** – We will continue to look for alternate sources of funding such as state and federal grants, business partnerships, and partnerships with other educational institutions. During the 2007 legislative session, SB12 was passed which implemented a new fixed/variable funding formula. The new fixed/variable funding formula was implemented in 2008. The new formula has helped stabilize state funding by lessening the impact of wide variations in resident enrollment.

- **Shared Governance** - Working meetings are held monthly to facilitate ideas to improve the college experience for students, faculty, and staff. Administration and each section of the college have worked together on the fiscal budgeting process.
- **Student Information System** – The College has designed a new website which allows students easier access to the web-based student management record system and to register online. The next step in the implementation is to offer online payment, online Bookstore and a shopping cart.
- **Deferred Maintenance** – The campus main facility is 40 years old; therefore, deferred maintenance is a very important issue. The roof, windows, and siding have been replaced during the summer and fall of 2008 on the Student Union Building, which includes the bookstore and cafeteria. The boiler for the main building was also replaced in fall of 2008. Several deferred maintenance issues will need to be addressed in the near future.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Miles Community College
Custer County
Miles City, Montana

We have audited the accompanying financial statements of the business-type activities, aggregate remaining fund information and discretely presented component units of Miles Community College, Custer County, Montana, as of and for the year ended June 30, 2008, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Miles Community College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Miles Community College Endowment, which is a discretely presented component unit presented as a separate column in the Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Miles Community College Endowment, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our report and the report of other auditors the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, aggregate remaining fund information and discretely presented component units of Miles Community College, Custer County, Montana, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, on pages 2 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Functional Classification of Operating Expenses, Student Financial Aid Modified Statement of Cash Receipts and Disbursements, Schedule for Full Time Equivalent and Schedule of Expenditures of Student Financial Assistance Programs are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and we express no opinion on them. The accompanying Schedule of Enrollment Statistics is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Dennig, Downey and Associates, CPA's, P.C.

October 10, 2008

Miles Community College, Custer County, Montana
Statement of Net Assets
June 30, 2008

ASSETS	Business-Type Activities
Current Assets:	
Cash and cash equivalents	\$ 1,960,755
Taxes receivable	100,189
Grants receivable	127,748
Student Loan receivable	34,621
Accounts receivable	45,562
Prepaid expense	16,177
Inventories	56,194
Total current assets	\$ <u>2,341,246</u>
Noncurrent assets:	
Restricted cash and cash equivalents	\$ 70,833
Capital assets	8,314,211
Less: Accumulated depreciation	<u>(3,415,358)</u>
Total noncurrent assets	\$ <u>4,969,686</u>
Total assets	\$ <u><u>7,310,932</u></u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 30,396
Accrued payroll	207,785
Deferred revenue -tuition and fees	55,335
Dormitory deposits	16,630
Current portion of compensated absences payable	29,086
Current portion of long-term obligations	98,728
Total current liabilities	\$ <u>437,960</u>
Noncurrent liabilities:	
Noncurrent portion of compensated absences payable	\$ 261,773
Noncurrent portion of long-term obligations	<u>2,337,077</u>
Total noncurrent liabilities	\$ <u>2,598,850</u>
Total liabilities	\$ <u><u>3,036,810</u></u>
 NET ASSETS	
Invested in capital assets, net of related debt	\$ 2,463,048
Restricted for student loans	53,484
Restricted for debt service	70,833
Restricted for scholarships, research, instruction and other	158,348
Unrestricted	<u>1,528,409</u>
Total net assets	\$ <u>4,274,122</u>
Total liabilities and net assets	\$ <u><u>7,310,932</u></u>

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Statement of Revenues, Expenses, and Changes in Net Assets
June 30, 2008

	Business-Type Activities
OPERATING REVENUES	
Tuition and fees (net of scholarship allowance of \$442,071)	\$ 1,385,019
Federal grants and contracts	1,205,601
State grants and contracts	466,858
Private and local grants and contracts	446,095
Indirect cost recoveries	26,905
Space/rental income	25,096
Athletic room and board	44,673
Other athletic allowance	86,871
Auxiliary activities:	
Bookstore (net of book buybacks and returns of \$47,254)	250,228
Food services	280,427
Centra	163,518
Big Sky dorm	401,754
Other operating revenues	186,929
Total operating revenues	<u>\$ 4,969,974</u>
OPERATING EXPENSES	
Salaries	\$ 3,312,738
Benefits	1,060,845
Travel	206,399
Supplies	483,979
Contracted services	328,176
Rent and lease	113,025
Repairs and maintenance	74,165
Advertising	55,791
Meetings and dues	31,439
Utilities	155,678
Student support	6,239
Communications	90,173
Software	17,863
Scholarships and grants	1,131,417
Insurance	85,052
Indirect costs	26,305
Food for resale	166,948
Items for resale	161,971
Bad debt expense	50,383
Other expense	166,707
Depreciation expense	273,291
Total operating expenses	<u>\$ 7,998,584</u>
Operating income (loss)	<u>\$ (3,028,610)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income (Loss)	\$ 81,228
State appropriation	2,241,808
State reimbursements	211,845
District levies	1,148,846
Interest payments	(126,308)
Loss on disposal of capital assets	(1,348)
Total non-operating revenues (expenses)	<u>\$ 3,556,071</u>
Income (loss) before contributions and transfers	<u>\$ 527,461</u>
Transfers from fiduciary funds	<u>\$ 5,000</u>
Change in net assets	<u>\$ 532,461</u>
Net assets - beginning	\$ 3,741,661
Net assets - ending	<u>\$ 4,274,122</u>

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2008

	Business-Type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 1,399,706
Grants and contracts	2,160,891
Payments to employees	(3,276,294)
Payments for benefits	(1,060,845)
Payments to suppliers	(1,852,014)
Payments for utilities	(155,678)
Payments for scholarships and fellowships	(1,131,417)
Collection of loans to students	1,032
Auxiliary enterprise charges:	
Resident halls	392,204
Bookstore	250,228
Food Services	280,427
Centra	163,518
Other receipts (payments)	171,223
Net cash provided (used) by operating activities	\$ (2,657,019)
Cash flows from capital financing activities:	
Purchases of capital assets	\$ (144,907)
Loss on disposal of capital assets	(1,348)
Principal paid on capital debt	(155,959)
Interest paid on capital debt	(126,308)
Net cash provided (used) from non-capital financing activities	\$ (428,522)
Cash flows from noncapital financing activities:	
State appropriations	\$ 2,241,808
State reimbursements	211,845
District levies	1,123,293
Other nonoperating expenses	(49,035)
Transfers from fiduciary funds	5,000
Net cash provided (used) by capital and related financing activities	\$ 3,532,911
Cash flows from investing activities:	
Interest income	\$ 81,228
Net increase (decrease) in cash and cash equivalents	\$ 528,598
Cash and cash equivalents at beginning of year	1,502,990
Cash and cash equivalents at end of year	\$ 2,031,588
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (3,028,610)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	273,291
Bad debt expense	50,383
Changes in net assets and liabilities:	
Decrease in accounts receivable	3,364
Decrease in grants receivable	42,337
Decrease in prepaid expense	9,760
Increase in inventory	(5,984)
Decrease in accounts payable	(40,731)
Increase in compensated absences payable	39,171
Net cash provided (used) by operating activities	\$ (2,657,019)

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Endowment Statement of Financial Position
For the Year Ended June 30, 2008

A Component Unit of
Miles Community College

ASSETS

Cash and cash equivalents	\$ 68,473
Investments	398,780
Total Assets	\$ <u>467,253</u>

LIABILITIES

Accounts payable	\$ -
Total Liabilities	\$ <u>-</u>

NET ASSETS

Unrestricted	\$ 300,842
Permanently restricted	166,411
Total Net Assets	\$ <u>467,253</u>

Total Liabilities and Net Assets	\$ <u><u>467,253</u></u>
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See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Endowment Statement of Activities
For the Year Ended June 30, 2008

A Component Unit of Miles Community College

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Pledges and other public support	\$ 19,142	\$ -	\$ 19,142
Net realized and unrealized investment gains (losses)	(74,749)	(13,358)	(88,107)
Investment income	52,369	11,401	63,770
Total revenues, gains and other support	\$ <u>(3,238)</u>	\$ <u>(1,957)</u>	\$ <u>(5,195)</u>
ALLOCATIONS AND EXPENSES			
Program Services			
Scholarships / awards	\$ 6,196	\$ 9,500	\$ 15,696
Program disbursements	127,906	-	127,906
Supporting services			
Professional fees	1,950	-	1,950
Management and general	710	-	710
Total allocations and expenses	\$ <u>136,762</u>	\$ <u>9,500</u>	\$ <u>146,262</u>
Change in net assets	\$ (140,000)	\$ (11,457)	\$ (151,457)
Net assets, beginning of period	<u>440,842</u>	<u>177,868</u>	<u>618,710</u>
Net assets, end of period	\$ <u><u>300,842</u></u>	\$ <u><u>166,411</u></u>	\$ <u><u>467,253</u></u>

See accompanying Notes to the Financial Statements

MilesCommunity College, Custer County, Montana
Endowment Statement of Cash Flows
For the Year Ended June 30, 2008

	<u>A Component Unit of Miles Community College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ (151,457)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:	
Net realized and unrealized investment gains	88,107
Net Cash Provided by operating activities	<u>\$ (63,350)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payment for purchase of investments	\$ (53,253)
Proceeds from sale of available for-sale securities	119,361
Net Cash used by investing activities	<u>66,108</u>
Increase in cash and cash equivalents	\$ 2,758
Cash and cash equivalents at beginning of year	<u>65,715</u>
Cash and cash equivalents at end of year	<u><u>\$ 68,473</u></u>
See accompanying Notes to the Financial Statements	

Miles Community College, Custer County, Montana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

		Private- Purpose Trusts
ASSETS		
Cash and cash equivalents	\$	<u>56,164</u>
Total assets	\$	<u>56,164</u>
 LIABILITIES		
Accrued payroll	\$	<u>109</u>
Total liabilities	\$	<u>109</u>
 NET ASSETS		
Assets held in trust	\$	<u><u>56,055</u></u>

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008

	Private Purpose Trust Funds
ADDITIONS:	
Contributions from private sources	\$ 114,487
Total additions	<u>\$ 114,487</u>
DEDUCTIONS:	
Student activities	\$ 100,351
Transfers out	5,000
Total deductions	<u>\$ 105,351</u>
Change in net assets	<u>\$ 9,136</u>
Net assets - beginning of the year	\$ 46,919
Net assets - end of the year	<u><u>\$ 56,055</u></u>

See accompanying Notes to the Financial Statements

MILES COMMUNITY COLLEGE
CUSTER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The College complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For enterprise funds GASB statement Nos. 20 and 34 provide the College the option of electing to apply FASB pronouncements issued after November 30, 1989. The College has elected not to apply those pronouncements.

Financial Reporting Entity

In determining the financial reporting entity, the College complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, and GASB Statement 39 which amended Statement 14, and includes all component units of which the College appointed a voting majority of the units' board; the College is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Primary Government

The College was established under Montana law to provide post-secondary educational services. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the College is a primary government as defined by GASB Cod. Sec. 2100 and has component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The component units listed below have a fiscal year ending June 30, 2008. The College has the following discretely presented component units:

Miles Community College Endowment

MILES COMMUNITY COLLEGE
CUSTER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Summary of Significant Accounting Policies

Nature of Activities

The Miles Community College Endowment is a non profit organization exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. The Miles Community College Endowment assists the Miles Community College in achieving its mission to provide affordable and accessible comprehensive, quality, student-centered academic preparation and innovative vocational training programs. The mission of the Miles Community College Endowment is to assist the College with fundraising and to promote community awareness of campus needs to increase the flow of resources to support excellence in education. The primary sources of revenue for the Endowment are from contributions and investment income.

Basis of Accounting

The accounts of the Endowment are maintained, and the financial statements are prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For financial statement purposes, the Endowment considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Classification of Net Assets

The Endowment classifies contributions as unrestricted, temporarily restricted and permanently restricted net assets in accordance with donor stipulations. Permanently restricted net assets consist of endowed gifts where donors have specified investment in perpetuity to generate income for specified restricted and unrestricted purposes. Temporarily restricted net assets include gifts restricted as to purpose of time. When a donor restriction expires (time restriction ends, purpose restriction is accomplished, or payments are received for unconditional promises to give), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. All expenses are reported in unrestricted net assets.

In-Kind Donations

The Endowment seeks and receives the volunteer efforts of many members of the community in attaining its goals. Only services for which the donor has specialized skills and would ordinarily receive compensation are considered donations in-kind. All donated goods are considered gifts in-kind and are valued at their fair market value at the time of donation. The value of donated services is determined by the donors as the usual fees they would receive for such service in the normal course of their business.

MILES COMMUNITY COLLEGE
CUSTER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Donors are provided receipts showing estimated fair market value for their in-kind donations: these values are established by the donors. Donated goods and services are recorded in the financial statements as unrestricted functional expense or capitalized assets.

Investments

The investments are carried at fair value, unrecognized gains and losses are reflected in the Statement of Activities. All gains and investment income are allocated to unrestricted, temporarily restricted or permanently restricted net assets based on the nature of the restrictions, if any, on the invested assets. Investment income earned from temporarily restricted or permanently restricted net assets that is used to pay scholarships within the same reporting period is accounted for as unrestricted.

Contributions

Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted or permanently restricted revenue in accordance with donor stipulations. Unconditional promised to give with payments due in the future periods are recognized as temporarily restricted revenue. Restricted contributions whose restrictions are met within the same reporting period are accounted for as unrestricted support. Unconditional and conditional promises to give are valued at the present value of amounts expected in future years, provided that reliable information is available. Donors included individuals and businesses who principally reside in southeastern Montana.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Basis of Presentation, Measurement Focus and Basis of Accounting.

Proprietary Funds:

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recoded in proprietary funds.

MILES COMMUNITY COLLEGE
CUSTER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed. The College has only one fund other than Fiduciary Funds.

Fiduciary Funds

The College reports the student activities funds as fiduciary funds as they represent assets held in a trust capacity for the student activities and therefore cannot be used to support the College's own programs.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The College's cash, except for the Perkins Loan Fund is held by the County Treasurer and pooled with other County cash. College cash which is not necessary for short-term obligations, the College participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County's investment portfolio as of June 30, 2008, consisted of time deposits, U.S. Treasury Notes, Repurchase Agreements and the State Short-Term Investment Pool (STIP).

The College may invest in savings deposits, time deposits or repurchase agreements in financial institutions that are both located in Montana and insured by FDIC, FSLIC, or NCUA. The College may also invest in general obligations of the United States Government, Federal Home loan Bank, Federal National Mortgage Association, Federal Home Mortgage Corporation, and Federal Farm Credit Bank, or a U.S. government security money market fund which holds eligible securities in its investment program, or in a unified investment program with the state, county treasurer, or any other political subdivision as long as investments are eligible.

For purposes of the Statement of Cash Flows, cash equivalents include all cash and investments.

Deposits

The College's deposit balance at year end was \$18,368 and the bank balance was \$18,368.

MILES COMMUNITY COLLEGE
CUSTER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Component Unit Investments

The Endowment invests primarily in mutual funds, equity securities, and corporate debt securities. At June 30, 2008, investments are comprised of the following:

	<u>Cost</u>	<u>Fair Market Value</u>
Investment Centers of America		
Mutual Funds	\$ 71,106	\$ 51,109
Ameriprise Financial		
RVS-Port. Builder Moderate Fund	81,490	78,303
RVS-High Yield Bond Fund	164,182	151,123
Edward Jones		
Growth Fund of America	42,451	46,261
First Interstate Financial		
Mutual Funds-MFS Utilities B	<u>51,762</u>	<u>71,984</u>
Total	\$ <u>410,991</u>	\$ <u>398,780</u>

As of the date of the report, the Fair Market Value of the investments have decreased by an additional \$90,000.

Component Unit Cash and Cash Equivalents

The components of cash and cash equivalents as of June 30, 2008 are as follows:

Cash in Bank	\$ 67,655
Endowment Money Market Investments	<u>818</u>
Total	\$ <u>68,473</u>

Cash and investments as of June 30, 2008, consist of the following:

	<u>College</u>	<u>Component Unit</u>
Cash on Hand	\$ 10,980	\$ -
Demand Deposit Accounts	18,368	67,655
Invested in the County Investment Pool	2,002,240	-
Invested in Mutual Funds, Equity Securities and Corporate Debt Securities	<u>-</u>	<u>399,598</u>
Total Cash and Investments	\$ <u>2,031,588</u>	\$ <u>467,253</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market rates.

MILES COMMUNITY COLLEGE
CUSTER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Information about the sensitivity of the fair value of the College's investments to market interest rate fluctuations is provided by the following tables that show the maturity date of each investment.

	<u>June 30, 2008</u>
Custer County Investment Pool	\$ <u>2,002,240</u>

No interest rate risk disclosure is made for the investments of the component unit.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Custer County Investment Pool does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of credit risk

The investment policy of the College contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Montana Code Annotated. There are no investments in any one issuer that represent 5% or more of the total College investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Montana law requires 50% security of deposits with financial institutions in excess of the depository insurance coverage limits. A governmental entity's money is insured for each "public unit" based on how the account is titled at the financial institution. The Custer County government is considered to have \$100,000 FDIC coverage for demand deposits and \$100,000 FDIC coverage for time and savings deposits in each bank in the state.

The College's deposits with financial institutions did not exceed federal depository insurance limits at June 30, 2008.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or governmental investment pools (such as the Custer County Investment Pool).

MILES COMMUNITY COLLEGE
CUSTER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 3. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

NOTE 4. INVENTORIES AND PREPAIDS

Inventories are valued at cost using the First In First Out (FIFO) method.

The cost of inventories are recorded as an expenditure when consumed.

Prepays record payments to vendors that benefit future reporting periods and are also reported on the consumption basis.

NOTE 5. CAPITAL ASSETS

The College's assets are capitalized at historical cost or estimated historical cost. College policy has set the capitalization threshold for reporting capital assets at \$2,500. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	50 years
Equipment	5-20 years
Library	5 years
Software	5 years

MILES COMMUNITY COLLEGE
CUSTER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in the basic financial statements. In accordance with Statement No. 34, the College has included the value of all infrastructure into the 2007-08 Basic Financial Statements. The College has elected not to retroactively report general infrastructure assets.

The following is a summary of capital assets:

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Land	\$ 206,412	\$ -	\$ -	\$ 206,412
Other Capital Assets:				
Buildings	6,786,506	-	-	6,786,506
Equipment	1,120,320	129,104	(123,858)	1,125,566
Software	99,692	-	-	99,692
Library inventory	<u>102,317</u>	<u>15,803</u>	<u>(22,085)</u>	<u>96,035</u>
Total other Capital Assets at historical cost	\$ 8,108,835	\$ 144,907	\$ (145,943)	\$ 8,107,799
Less Accumulated Depreciation	<u>\$(3,286,662)</u>	<u>\$(273,291)</u>	<u>\$ 144,595</u>	<u>\$ (3,415,358)</u>
Total	<u>\$ 5,028,585</u>	<u>\$(128,384)</u>	<u>\$ (1,348)</u>	<u>\$ 4,898,853</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

During the year ended June 30, 2008, the following changes occurred in liabilities reported in long-term debt:

<u>Purpose</u>	Balance <u>July 1, 2007</u>	Principal <u>Payment</u>	Balance <u>June 30, 2008</u>
Stockman Bank	\$ 276,639	\$ 19,120	\$ 257,519
USDA Rural Development #1	257,700	19,222	238,478
Department of Housing and Urban Development	43,000	43,000	-
First Interstate Bank	338,831	11,208	327,623
Montana Board of Investments	204,539	30,314	174,225
USDA Rural Development #2	1,454,219	16,259	1,437,960
GMAC #1	5,642	5,642	-
GMAC #2	<u>11,194</u>	<u>11,194</u>	<u>-</u>
Total	<u>\$ 2,591,764</u>	<u>\$ 155,959</u>	<u>\$ 2,435,805</u>

Stockman Bank

The note payable to Stockman Bank of Montana was in the original amount of \$400,000. This note is payable in monthly installments of \$3,184 on the 23rd day of each month. This note bears interest at a variable rate, not less than 7.16% per annum nor more than 11.16% per annum. The interest rate as of June 30, 2006 was 7.16% per annum. This note is secured by a second mortgage on two tracts of land, and an assignment of rental revenue from all of the student dormitories owned by the College. Final payment on this note is due on September 23, 2017.

MILES COMMUNITY COLLEGE
CUSTER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Annual requirement to amortize debt for Stockman Bank:

For Fiscal Year Ended	Principal	Interest
2009	\$ 20,437	\$ 17,775
2010	21,949	16,263
2011	23,573	14,639
2012	25,318	12,895
2013	27,191	11,021
2014	29,203	9,009
2015	31,364	6,848
2016	33,685	4,527
2017	36,177	2,035
2018	<u>8,622</u>	<u>99</u>
Total	\$ <u>257,519</u>	\$ <u>95,111</u>

USDA Rural Development #1

The first note payable to the USDA Rural Development was in the original amount of \$400,000. This note is payable in semi-annual installments of \$15,936 due on March 23rd and September 23rd of each year. This note bears interest at 5.0% per annum. This note is secured by two tracts of land, and an assignment of rental revenue from all of the student dormitories owned by the College. Final payment on this note is due on September 23, 2017.

Annual requirement to amortize debt for USDS Rural Development:

For Fiscal Year Ended	Principal	Interest
2009	\$ 20,198	\$ 11,674
2010	21,220	10,651
2011	22,294	9,577
2012	23,423	8,448
2013	24,609	7,263
2014	25,855	6,017
2015	27,164	4,708
2016	28,539	3,333
2017	29,983	1,888
2018	<u>15,193</u>	<u>385</u>
Total	\$ <u>238,478</u>	\$ <u>63,944</u>

Department of Housing and Urban Development

The note payable to the Housing and Urban Development was in the original amount of \$205,541 and was paid off during the fiscal year ended June 30, 2008. This note is payable in semiannual installments on January 1st and July 1st of each year. Interest is payable at 3% per annum. There is no security for this loan.

MILES COMMUNITY COLLEGE
CUSTER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

First Interstate Bank

The mortgage payable to First Interstate Bank was in the original amount of \$370,000. This mortgage is payable in monthly installments of \$2,736 on the 18th day of each month. This mortgage bears interest at a variable rate, currently at 6.39%. This mortgage is secured by the residence hall building, and an assignment of rental revenue from all of the student dormitories owned by the College. Final payment on this mortgage is due on May 18, 2024. This note payable is guaranteed by the USDA Rural Development for 90% of the outstanding balance of the note payable.

Annual requirement to amortize debt for First Interstate Bank:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 12,251	\$ 20,580
2010	13,057	19,774
2011	13,916	18,915
2012	14,832	17,999
2013	15,808	17,023
2014	16,848	15,983
2015	17,956	14,874
2016	19,138	13,692
2017	20,397	12,433
2018	21,740	11,091
2019	23,170	9,660
2020	24,695	8,135
2021	26,320	6,510
2022	28,052	4,778
2023	29,906	2,932
2025	<u>29,537</u>	<u>966</u>
Total	<u>\$327,623</u>	<u>\$195,345</u>

Montana Board of Investments

The InterCap note payable to the Montana Board of Investments was in the original amount of \$300,000 and will be paid off on August 15, 2013. This note is payable in semiannual installments on August 15th and February 15th of each year. Interest is payable at 2.85% per annum. This note is secured by a deed of trust on the residence hall building, and an assignment of rental revenue from all of the student dormitories owned by the College. InterCap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year, and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

MILES COMMUNITY COLLEGE
CUSTER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Annual requirement to amortize debt for Montana Board of Investments:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 28,856	\$ 10,020
2010	30,581	8,295
2011	32,408	6,468
2012	34,345	4,531
2013	36,398	2,478
2014	11,637	431
Total	<u>\$ 174,225</u>	<u>\$ 32,223</u>

USDA Rural Development #2

The second note payable to the USDA Rural Development was in the original amount of \$1,500,000. This note is payable in monthly installments of \$6,630 on the 18th day of each month. This note bears interest at 4.375% per annum. This note is secured by the residence hall building, and an assignment of rental revenue from all of the student dormitories owned by the College. Final payment on this note is due on May 18, 2044.

Annual requirement to amortize debt for USDA Rural Development:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 16,987	\$ 62,573
2010	17,746	61,814
2011	18,538	61,022
2012	19,365	60,195
2013	20,230	59,330
2014	21,133	58,427
2015	22,076	57,484
2016	23,061	56,499
2017	24,091	55,469
2018	25,166	54,394
2019	26,290	53,270
2020	27,463	52,097
2021	28,689	50,871
2022	29,970	49,590
2023	31,307	48,253
2024	32,705	46,855
2025	34,165	45,395
2026	35,690	43,870
2027	37,283	42,277
2028	38,947	40,613
2029	40,686	38,874
2030	42,502	37,058
2031	44,399	35,161

MILES COMMUNITY COLLEGE
CUSTER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

2032	46,381	33,179
2033	48,451	31,109
2034	50,614	28,946
2035	52,873	26,687
2036	55,233	24,327
2037	57,699	21,861
2038	60,275	19,285
2039	62,965	16,595
2040	65,776	13,784
2041	68,712	10,848
2042	71,779	7,781
2043	74,983	4,577
2044	<u>63,730</u>	<u>1,261</u>
	<u>\$ 1,437,960</u>	<u>\$ 1,411,631</u>

GMAC

The first note payable to GMAC was in the original amount of \$12,057. This note is payable in monthly installments of \$216 on the 21st day of each month. This note bears interest at 2.90% per annum. This note is secured by a 2004 Chevrolet Impala. Final payment on this note was made during the fiscal year ended June 30, 2008.

The second note payable to GMAC was in the original amount of \$23,007. This note is payable in monthly installments of \$444 on the 21st day of each month. This note bears interest at 5.90% per annum. This note is secured by a 2003 Park Avenue. Final payment on this note was made during the fiscal year ended June 30, 2008.

NOTE 7. COMPENSATED ABSENCES

Compensated absences payable, which represent vacation and sick leave earned by employees which is payable on termination, were as follows:

	Balance 7/1/2007	Increase (Decrease)	Balance 6/30/2008
Vacation and sick leave	<u>\$ 251,688</u>	<u>\$ 39,171</u>	<u>\$ 290,859</u>

NOTE 8. STATE-WIDE RETIREMENT PLANS

The College participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees (including principals and superintendents) are covered by Montana Teachers Retirement System (TRS), and substantially all other College employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana.

MILES COMMUNITY COLLEGE
CUSTER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2007, were:

	<u>PERS</u>	<u>TRS</u>
Employer	6.935%	7.47%
Employee	6.90%	7.15%
State	0.235%	0.20%

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the College's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Public Employees Retirement Division, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134

Total contributions for the years ended June 30, 2006, 2007, and 2008, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2006	\$ 171,214	\$ 246,653
2007	\$ 181,050	\$ 193,600
2008	\$ 197,185	\$ 216,707

NOTE 9. POST EMPLOYMENT BENEFITS

Terminated employees may remain on the College's health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal COBRA law. Retirees may remain on the College's health plan to age 65, provided they pay the monthly premiums. State law requires the College to provide this benefit. No cost can be estimated for the above benefits, although there is the probability that there are higher medical costs for retirees which would result in additional costs to the insurance program.

The College had 14 retired employees and no terminated employees participating in the plan as of June 30, 2008.

MILES COMMUNITY COLLEGE
CUSTER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 10. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the College as of June 30, 2008. These amounts are reported within the cash/investment account on the Balance Sheet.

<u>Description</u>	<u>Amount</u>
Restricted for Debt Service	\$ <u>70,833</u>

NOTE 11. NET ASSETS

Reservations of equity show amounts that are not appropriate for expenditure or are legally restricted for specific uses. The purpose for each is indicated below:

Restricted for debt service	\$ 70,833
Restricted for scholarships, research, instruction, and other	\$ 158,348
Restricted for student loans	\$ 53,484

NOTE 12. RELATED PARTY TRANSACTIONS

Related Party Transactions Component units

The following schedule presents significant transactions between the primary government and its component units during the year ended June 30, 2008:

<u>Component Unit</u>	<u>Significant Transactions</u>
Miles Community College Endowment	Donated \$143,601

NOTE 13. RISK MANAGEMENT

The College faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the College has no coverage for potential losses from environmental damages.

NOTE 14. PENDING LITIGATION

There was no pending or threatened litigation or unasserted claims or assessments against the College as of June 30, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

Mikes Community College, Custer County, Montana
Functional Classification of Operating Expenses
For the Year Ended June 30, 2008

	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Operations and Maintenance of Plant	Auxiliary	Depreciation	Total
Salaries	\$ 1,399,065	\$ 27,047	\$ 603,898	\$ 441,493	\$ 468,139	\$ 123,103	\$ 249,993	\$ -	\$ 3,312,738
Benefits	393,235	7,255	217,389	152,490	155,096	53,834	81,546	-	1,060,845
Travel	16,079	-	59,625	99,264	28,791	1,074	1,566	-	206,399
Supplies	116,817	5,650	132,691	127,703	20,824	49,638	30,656	-	483,979
Contracted services	20,584	7,753	126,513	82,276	16,167	60,648	14,235	-	328,176
Rent and lease	6,488	140	27,701	65,914	4,111	1,856	6,815	-	113,025
Repairs and maintenance	-	-	-	1,327	-	48,325	24,513	-	74,165
Advertising	1,283	1,122	7,111	45,071	-	-	1,204	-	55,791
Meetings and dues	2,804	-	385	11,605	16,645	-	-	-	31,439
Utilities	-	-	3,178	10,490	-	77,533	64,477	-	155,678
Student support	1,125	-	496	4,022	-	596	-	-	6,239
Communications	7,910	1,042	28,696	10,795	34,934	-	6,796	-	90,173
Software	9,937	-	7,926	-	-	-	-	-	17,863
Scholarships and grants	47,099	-	971,980	77,942	-	-	34,396	-	1,131,417
Insurance	3,272	-	1,372	7,980	-	54,177	18,251	-	85,052
Indirect costs	2,969	-	23,336	-	-	-	-	-	26,305
Food for resale	-	-	-	-	-	-	166,948	-	166,948
Items for resale	-	-	-	-	-	-	161,971	-	161,971
Other	37,128	1,396	29,697	48,516	32,323	-	17,647	-	166,707
Bad debt	-	-	-	-	50,383	-	-	-	50,383
Depreciation expense	-	-	-	-	-	-	-	273,291	273,291
Total operating expenses	\$ <u>2,065,795</u>	\$ <u>51,405</u>	\$ <u>2,241,994</u>	\$ <u>1,186,888</u>	\$ <u>827,413</u>	\$ <u>470,784</u>	\$ <u>881,014</u>	\$ <u>273,291</u>	\$ <u>7,998,584</u>

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Student Financial Aid Modified Statement of Cash Receipts and Disbursements
For the Year Ended June 30, 2008

	<u>Pell</u>	<u>Perkins</u>	<u>CWS</u>	<u>SEOG</u>
Beginning cash balance	\$ (42,483)	\$ 17,553	\$ (10,524)	\$ (1,532)
Additions:				
Federal advances	655,369	1,310	39,902	29,794
State matching funds	-	-	-	9,421
Total Additions	<u>\$ 655,369</u>	<u>\$ 1,310</u>	<u>\$ 39,902</u>	<u>\$ 39,215</u>
Deductions:				
Distribution to students	\$ 629,775	\$ -	\$ 35,362	\$ 37,683
Administrative expenses	-	-	209	-
Total Deductions	<u>\$ 629,775</u>	<u>\$ -</u>	<u>\$ 35,571</u>	<u>\$ 37,683</u>
Net change to cash	<u>\$ 25,594</u>	<u>\$ 1,310</u>	<u>\$ 4,331</u>	<u>\$ 1,532</u>
Ending cash balance	<u><u>\$ (16,889)</u></u>	<u><u>\$ 18,863</u></u>	<u><u>\$ (6,193)</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Schedule of Expenditures
Student Financial Assistance Programs
For the Year Ended June 30, 2008

	<u>2008</u>
Perkins loan program	
Student loan advances	\$ <u> -</u>
College work study	
Wages	\$ 35,305
Administrative cost	209
Total college work study	\$ <u>35,514</u>
Supplemental education opportunity grant program	
Student grants	\$ <u>37,683</u>
Pell grant program	
Student grants	\$ <u>629,545</u>

See accompanying Notes to the Financial Statements

Miles Community College, Custer County, Montana
Schedule for Full Time Equivalent
For the Year Ended June 30, 2008

<u>Semester</u>	<u>Resident</u>	<u>WUE</u>	<u>Nonresident</u>	<u>Total</u>
Summer 2007	42.60	-	0.53	43.13
Fall 2007	409.80	3.00	36.87	449.67
Spring 2008	355.20	3.03	36.90	395.13

The FTE calculations were based on enrollment at the end of the third week of the semester.

See accompanying Notes to the Financial Statements

SINGLE AUDIT SECTION

Miles Community College, Custer County, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	Ending Balance June 30, 2007
<u>U.S. Department of Agriculture</u>				
<i>Direct:</i>				
ROCKS	10.550	2002-41520-01366	\$ 18,328	\$ (18,328)
Total U.S. Department of Agriculture			\$ 18,328	\$ (18,328)
<u>U.S. Department of Labor</u>				
<i>Passed through the Montana Department of Labor:</i>				
WIA Adult Program	17.258	MCC9006AD	\$ 47,722	\$ (47,722)
WIA Adult Program	17.258	MCC9006AD3	62,847	(62,847)
<i>Passed through the Office of the Commissioner of Higher Education:</i>				
MAP-Wired	17.261	MCC/WIRED 03-07	82,456	(82,456)
Total U.S. Department of Interior			\$ 193,025	\$ (193,025)
<u>U.S. Department of Education</u>				
<i>Direct:</i>				
Adult Basic Education	84.002	5865015605BG	\$ 39,257	\$ (39,257)
Supplemental Educational Opportunity Grant Program	84.007	N/A	28,918	(28,918)
Federal Family Education Loans *	84.032	N/A	977,199	(977,199)
College Work Study	84.033	N/A	39,064	(39,064)
Pell Grant Program	84.063	N/A	481,020	(481,020)
Even Start	84.213C	58-6501-38-05	116,843	(116,843)
Academic Competitiveness Grant	84.375	N/A	9,900	(9,900)
<i>Passed through the Office of the Commissioner of Higher Education:</i>				
Carl D. Perkins Nontraditional Training and Employment	84.048	MCCNT05	\$ 25,001	\$ (25,001)
Carl D. Perkins Rural	84.048	I-RR05	36,261	(36,261)
Carl D. Perkins - Expanding Opportunities	84.048	MCCSP06	25,999	(25,999)
Carl D. Perkins Vocational Act	84.048	MCCLP05	56,591	(56,591)
Fund for Improvement of Post-Secondary Education	84.116B	P116B021210-04	8,708	(8,708)
Total U.S. Department of Education			\$ 1,844,761	\$ (1,844,761)
<u>Corporation for National and Community Service</u>				
<i>Direct:</i>				
Retired Senior Volunteer Program	94.002	035RPMT012	\$ 71,921	\$ (71,921)
Total Corporation for National and Community Service			\$ 71,921	\$ (71,921)
Total Federal Financial Assistance			\$ 2,128,035	\$ (2,128,035)

* This program's activities is not reflected in financial statements of this entity.

N/A = Not Applicable or Not Available

Miles Community College, Custer County, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	Ending Balance June 30, 2008
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed through the Office of the Commissioner of Higher Education:</i>				
MAP-WIRED-UM COT	14.228	PG08-67009-02	\$ 7,330	\$ (7,330)
Total U.S. Department of Agriculture			\$ 7,330	\$ (7,330)
<u>U.S. Department of Labor</u>				
<i>Passed through the Montana Department of Labor:</i>				
WIA Adult Program	17.258	MAC029Y2007	\$ 27,670	\$ (27,670)
WIA Adult Program	17.258	MCA03PY2007	59,562	(59,562)
<i>Passed through the Office of the Commissioner of Higher Education:</i>				
MAP-Wired	17.261	MCC/WIRED 03-08	135,832	(135,832)
Total U.S. Department of Interior			\$ 223,064	\$ (223,064)
<u>U.S. Department of Education</u>				
<i>Direct:</i>				
Adult Basic Education	84.002	5865015605BG	\$ 39,258	\$ (39,258)
Supplemental Educational Opportunity Grant Program	84.007	N/A	28,262	(28,262)
Federal Family Education Loans *	84.032	N/A	1,137,098	(1,137,098)
College Work Study	84.033	N/A	35,514	(35,514)
Pell Grant Program	84.063	N/A	629,545	(629,545)
Even Start	84.213C	58-6501-38-05	109,486	(109,486)
Academic Competiveness Grant	84.375	N/A	15,500	(15,500)
<i>Passed through the Office of the Commissioner of Higher Education:</i>				
Carl D. Perkins Rural	84.048	I-RR05	\$ 30,000	\$ (30,000)
Carl D. Perkins Vocational Act	84.048	MCCLP05	57,075	(57,075)
Total U.S. Department of Education			\$ 2,081,738	\$ (2,081,738)
<u>Corporation for National and Community Service</u>				
<i>Direct:</i>				
Retired Senior Volunteer Program	94.002	035RPMT012	\$ 71,921	\$ (71,921)
Total Corporation for National and Community Service			\$ 71,921	\$ (71,921)
Total Federal Financial Assistance			\$ 2,384,053	\$ (2,384,053)

* This program's activities is not reflected in financial statements of this entity.

N/A = Not Applicable or Not Available

MILES COMMUNITY COLLEGE

CUSTER COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2008

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Miles Community College, Custer County, Montana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Miles Community College
Custer County
Miles City, Montana

We have audited the business-type activities, discretely presented component units and aggregate remaining fund information of Miles Community College, Custer County, Montana, as of and for the year ended June 30, 2008, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Miles Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Miles Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Miles Community College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Miles Community College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Miles Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, the Montana Department of Administration, the Montana Office of Public Instruction, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Derrington, Downey and Associates, CPAs, P.C.

October 10, 2008

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Miles Community College
Custer County
Miles City, Montana

Compliance

We have audited the compliance of Miles Community College, Custer County, Montana, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion of the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Miles Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007 and 2008.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the audit committee, management, the Board of Trustees, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Denning, Downey and Associates, CPA's, P.C.

October 10, 2008

MILES COMMUNITY COLLEGE

CUSTER COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2007 and 2008

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<i>Unqualified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.032, 84.033, 84.063, 84.375	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

There were no financial statement findings reported.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

**REPORT ON OTHER COMPLIANCE, FINANCIAL, AND INTERNAL ACCOUNTING
CONTROL MATTERS**

Board of Trustees
Miles Community College
Custer County
Miles City, Montana

There were no other compliance, financial, or internal accounting matters.

Denning, Downey and Associates, CPA's, P.C.

October 10, 2008

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of Trustees
Miles Community College
Custer County
Miles City, Montana

The prior audit report contained two recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Bookstore Internal Controls	Implemented
Cafeteria Internal Controls	Implemented

Denning, Downey and Associates, CPA's, P.C.

October 10, 2008

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Education and Employment.*

December 3, 2008

Denning, Downey & Associates, P.C.
1740 U.S. Hwy 93 South Suite 101
Kalispell, MT 59901

To Whom It May Concern:

Miles Community College is pleased to receive the unqualified opinion on the annual financial statements and the comment Miles Community College continues to make good progress in achieving high standards.

The faculty and staff of Miles Community College appreciate the professional due care of the auditing staff of Denning, Downey & Associates, P.C.

Sincerely,

Laura Bennett
Controller

Start Here... Go Anywhere.